

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

In the Matter of)

Don A. Birkelbach)

A Former Institution-Affiliated Party of)
Allied Houston Bank.)
Houston, Texas)
OTS No. 08135)

Order Nos.: **MWR-05-16**

MWR-05-17

Date: **October 27, 2005**

**STIPULATION AND CONSENT TO THE ISSUANCE OF AN
ORDER OF PROHIBITION AND FOR THE ASSESSMENT
OF CIVIL MONEY PENALTIES**

WHEREAS, the Office of Thrift Supervision (OTS), based upon information derived from the exercise of its regulatory responsibilities, has informed Don A. Birkelbach (**Birkelbach**), a former president of Allied Houston Bank, Houston, Texas, OTS Docket Number 08135 (Allied Houston), that grounds exist to initiate an administrative prohibition proceeding and to assess civil money penalties against him, pursuant to 12 U.S.C. § 1818(e) and (i);¹ and

WHEREAS, **Birkelbach** desires to cooperate with the OTS and to avoid the time and expense of such administrative proceeding and, without admitting or denying that such grounds exist, or the Findings of Fact or opinions and conclusions of the OTS, except as to Jurisdiction, Paragraph 1, below, which is admitted, hereby stipulates and agrees to the following:

¹ All references to the United States Code (U.S.C.) are as amended, unless otherwise indicated.

Don A. Birkelbach
Stipulation

1. Jurisdiction. (a) Allied Houston is a “savings association” within the meaning of 12 U.S.C. § 1813(b) and 12 U.S.C. § 1462(4). Accordingly, it is an “insured depository institution” as that term is defined in 12 U.S.C. § 1813(c);

(b) **Birkelbach** was an employee of Allied Houston, and is an “institution-affiliated party” as that term is defined in 12 U.S.C. § 1813(u), having served in such capacity within 6 years of the date hereof (see 12 U.S.C. § 1818(i)(3)); and

(c) Pursuant to 12 U.S.C. § 1813(q), the Director of the OTS is the “appropriate Federal banking agency” to maintain an administrative prohibition proceeding against such institution-affiliated parties of a savings association. Therefore, **Birkelbach** is subject to the jurisdiction of the OTS to initiate and maintain an administrative proceeding against him, pursuant to 12 U.S.C. § 1818(e). The Director of the OTS has delegated to the Regional Director of the Midwest Region of the OTS or his designee (Regional Director) the authority to issue prohibition orders where the individual has consented to the issuance of the order.

2. OTS Findings of Fact. The OTS finds that beginning in 2000 and continuing until October 2003, Allied Houston funded approximately \$22.7 mil. in commercial and personal loans that were either made to or brokered to the institution by one individual loan broker. **Birkelbach** knew, but did not formally disclose, to the board of directors, the loan committee or senior management of Allied Houston, that this loan broker was a convicted felon, having been convicted for multiple counts of loan and wire fraud. **Birkelbach**, in his capacity as chief commercial lending officer was responsible for, or had supervisory authority over other lending officers who were responsible for, underwriting, recommending approval, and monitoring the credit status of these loans. Subsequent review of these loans by Allied Houston and the OTS

disclosed a pattern of material underwriting deficiencies. These deficiencies included a lack of loan applications, inadequate or misleading loan write-ups, and inadequate or misleading credit analysis. As a result of these lending deficiencies and borrower fraud Allied Houston suffered substantial loss on these loans. As a result of his actions, **Birkelbach** (1) engaged in a violation of law or regulation, unsafe or unsound practice, or breach of his fiduciary duty; and (2) such violation, practice or breach resulted in financial gain to **Birkelbach**, financial harm to Allied Houston, or other damage to Allied Houston and (3) the conduct involved personal dishonesty, or willful or continuing disregard for the safety and soundness of the institution.

3. Consent. **Birkelbach** consents to the issuance by the OTS of the accompanying Consent Order of Prohibition (Prohibition Order) and Order Assessing Civil Money Penalties (CMP Order)(together Orders). **Birkelbach** further agrees to comply with the terms of the Order upon issuance and stipulates that the Order complies with all requirements of law.

4. Finality. The Order is issued under 12 U.S.C. § 1818(e) and (i). Upon its issuance by the OTS, it shall be a final order, effective and fully enforceable by the OTS or any other appropriate Federal banking agency under the provisions of 12 U.S.C. § 1818(i).

5. Waivers. **Birkelbach** waives the following: (a) The right to be served with a written notice of the OTS's charges against him, as provided by 12 U.S.C. § 1818(e) and (i);

(b) The right to an administrative hearing of the OTS's charges against him, as provided by 12 U.S.C. § 1818(e) and 1818(i)(2)(H);

(c) The right to seek judicial review of the Order, including, without limitation, any such right provided by 12 U.S.C. § 1818(h) and (i), or otherwise to challenge the validity of the Order;

(d) Any and all claims against the OTS, including its employees and agents, and any other governmental entity for the award of fees, costs, or expenses related to this OTS enforcement matter and/or the Order, whether arising under common law, the Equal Access to Justice Act, 5 U.S.C. § 504, or 28 U.S.C. § 2412; and

(e) The right to assert this proceeding, his consent to issuance of the Order, the issuance of the Order as the basis for a claim of double jeopardy in any pending or future proceeding brought by the United States Department of Justice or any other governmental entity.

6. Other Governmental Actions Not Affected. **Birkelbach** acknowledges and agrees that the consent to the issuance of the Order is for the purpose of resolving all OTS enforcement matters arising out of his affiliation with Allied Houston Bank, Houston, Texas. **Birkelbach** acknowledges and agrees that this consent does not release, discharge, compromise, settle, dismiss, resolve, or in any way affect any other actions, charges against, or liability of **Birkelbach** that arise pursuant to this action or otherwise and that may be or have been brought any other governmental entity.

7. Agreement for Continuing Cooperation. **Birkelbach** agrees that, at the OTS's written request, on reasonable notice and without service of a subpoena, he will provide discovery and testify truthfully at any deposition or at any judicial or administrative proceeding related to any investigation, litigation, or other proceeding maintained by the OTS or other appropriate Federal banking agency relating to Allied Houston, its holding company, service corporations, subsidiaries, or institution-affiliated parties, except that **Birkelbach** does not waive any privilege against self-incrimination under the Fifth Amendment of the United States Constitution or any attorney-client privilege. If **Birkelbach** invokes his privilege against self-incrimination under the

Fifth Amendment of the United States Constitution and the OTS or other appropriate Federal banking agency obtains a grant of immunity pursuant to 18 U.S.C. § 6001, et seq., **Birkelbach** agrees, consistent with any such grant of immunity, to provide discovery and testify truthfully at any deposition and at any judicial, administrative, or investigative proceeding on the matter for which immunity is given.

8. Acknowledgment of Criminal Sanctions. **Birkelbach** acknowledges that the Stipulation and Orders are subject to the provisions of 12 U.S.C. § 1818(j).

9. Miscellaneous. (a) The laws of the United States of America shall govern the construction and validity of the Stipulation and Orders;

(b) All references to the OTS in the Stipulation and Orders shall also mean any of the OTS's predecessors, successors, and assigns;

(c) The section and paragraph headings in the Stipulation and Orders are for convenience only, and such headings shall not affect the interpretation of the Stipulation or Orders;

(d) The terms of the Stipulation and Orders represent the final agreement of the parties with respect to the subject matters hereof, and constitute the sole agreement of the parties with respect to such subject matters; and

(e) The Stipulation and Orders shall remain in effect until terminated, modified, or suspended in writing by the OTS, acting through its Director, Regional Director, or other authorized representative.

WHEREFORE, Birkelbach executes this Stipulation and Consent to the Issuance of an Order of Prohibition and for the Assessment of Civil Money Penalties intending to be legally bound hereby.

Accepted by:

OFFICE OF THRIFT SUPERVISION

By: /s/
Don A. Birkelbach

By: /s/
Frederick R. Casteel
Regional Director
Midwest Region

Dated: 9/7/05

Dated: 10-27-05

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Before The
OFFICE OF THRIFT SUPERVISION

In the Matter of)

Don A. Birkelbach)

A Former Institution-Affiliated Party of)
Allied Houston Bank,)
Houston, Texas)
OTS No. 08135)
_____)

Order No.: **MWR-05-16**

Date: **October 27, 2005**

CONSENT ORDER OF PROHIBITION

WHEREAS, Don A. Birkelbach (**Birkelbach**) has executed a Stipulation and Consent to the Issuance of an Order of Prohibition and for the Assessment of Civil Money Penalties (Stipulation); and

WHEREAS, **Birkelbach**, by his execution of the Stipulation, has consented and agreed to the issuance of this Consent Order of Prohibition (Order) by the Office of Thrift Supervision (OTS), pursuant to 12 U.S.C. § 1818(e).

NOW THEREFORE, IT IS ORDERED that:

1. **Birkelbach** is prohibited from further participation, in any manner, in the conduct of the affairs of Allied Houston Bank, Houston, Texas, OTS Docket Number 08135 (Allied Houston), and any holding company, subsidiary, and/or service corporation thereof.

2. **Birkelbach**, except upon the prior written consent of the OTS (acting through its Director or an authorized representative thereof) and any other “appropriate Federal financial institutions regulatory agency,” for purposes of 12 U.S.C.

§ 1818(e)(7)(B)(ii), shall not:

(a) Hold any office in, or participate in any manner in the conduct of the affairs of, any institution or agency specified in 12 U.S.C. § 1818(e)(7)(A), including, but not limited to:

- (i) Any insured depository institution, e.g., savings and loan associations, savings banks, national banks, trust companies, and other banking institutions;
- (ii) Any institution treated as an insured bank under 12 U.S.C. §§ 1818(b)(3) and 1818(b)(4), or as a savings association under 12 U.S.C. § 1818(b)(9), e.g., subsidiaries and holding companies of savings associations;
- (iii) Any insured credit union under the Federal Credit Union Act (12 U.S.C. § 1781, et seq.);
- (iv) Any institution chartered under the Farm Credit Act of 1971 (12 U.S.C. § 2001, et seq.);
- (v) Any appropriate Federal depository institution regulatory agency, within the meaning of 12 U.S.C. § 1818(e)(7)(A)(v); and
- (vi) The Federal Housing Finance Board and any Federal home loan bank.

(b) Solicit, procure, transfer, attempt to transfer, vote, or attempt to vote any proxy, consent, or authorization with respect to any voting rights in any institution described in 12 U.S.C. § 1818(e)(7)(A);

(c) Violate any voting agreement previously approved by the "appropriate Federal banking agency" within the meaning of 12 U.S.C. § 1813(q); or

(d) Vote for a director, or serve or act as an "institution-affiliated party," as that term is defined at 12 U.S.C. § 1813(u), e.g., a director, officer, employee, controlling stockholder of, or agent for, an insured depository institution.

3. The Stipulation is made a part hereof and is incorporated herein by this reference.

4. This Order is subject to the provisions of 12 U.S.C. § 1818(j).

5. **Birkelbach** shall promptly respond to any request from the OTS for documents that the OTS reasonably requests to demonstrate compliance with this Order.

6. This Order is and shall become effective on the date it is issued, as shown in the caption hereof. The Stipulation and the Order shall remain in effect until terminated, modified, or suspended, in writing by the OTS, acting through its Director, Regional Director, or other authorized representative.

OFFICE OF THRIFT SUPERVISION

By: /s/
Frederick R. Casteel
Regional Director
Midwest Region

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In the Matter of)

Don A. Birkelbach)

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_____)

Order No.: **MWR-05-17**

Date: **October 27, 2005**

CONSENT ORDER OF ASSESSMENT OF CIVIL MONEY PENALTY

WHEREAS, Don A. Birkelbach (**Birkelbach**) has executed a Stipulation and Consent to the Issuance of an Order of Prohibition and for the Assessment of Civil Money Penalties (Stipulation); and

WHEREAS, **Birkelbach**, by his execution of the Stipulation, has consented and agreed to the issuance of this Consent Order of Assessment of Civil Money Penalty (CMP Order) by the Office of Thrift Supervision (OTS), pursuant to 12 U.S.C. § 1818(i).

NOW THEREFORE, IT IS ORDERED that:

1. **Birkelbach** is assessed a civil money penalty of ten thousand dollars (\$10,000.00). **Birkelbach** shall pay this civil money penalty by certified check, bank draft or money order, payable to the Treasurer of the United States, delivered within thirty (30) days of the issuance of this CMP Order. Payment shall make payment by sending the check to Gary C. Anderberg,

Special Counsel, Office of Thrift Supervision, 225 East John Carpenter Freeway, Suite 500, Irving, Texas 75062-2326.

2. This CMP Order is subject to the provisions of section 8(j) of the Federal Deposit Insurance Act, 12 U.S.C. 1818(j).
3. The Stipulation is make a part hereof and is incorporated herein by reference.
4. This CMP Order is and shall be effective on the date it is issued, as shown in the caption hereof.

OFFICE OF THRIFT SUPERVISION

By: _____ /s/
Frederick R. Casteel
Regional Director
Midwest Region